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Cayman Islands

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I. General

1. The Territory of the Cayman Islands[1] is located some 180 miles west of Jamaica and about the same distance south of Cuba. It comprises three islands: Grand Cayman (76 square miles), Cayman Brac (15 square miles) and the adjacent and largely undeveloped Little Cayman (11 square miles).

2. According to the latest (1999) census, the population of the Territory was 39,410, about 55 per cent higher than the 25,355 residents recorded in the 1989 census. Caymanians make up about 53 per cent of the population, a decline from 67 per cent in 1989. In 10 years, the non-Caymanian population has about doubled, from 8,387 in 1989 to 18,529. An estimated 25 per cent are of African descent, 20 per cent are of European descent and the remainder are mixed. At the time of the census, of 25,506 persons employed in the labour force, 10,629 or 42 per cent were Caymanian. The average annual per capita income was $20,000. Caymanians on average earned $31,751 while non-Caymanians averaged $29,735. Male residents earned on average $36,584 and females $24,940.[2]

II. Constitutional and legal issues

3. The Cayman Islands is a Non-Self-Governing Territory (Overseas Territory) under the administration of the United Kingdom of Great Britain and Northern Ireland. The Constitution of 1959 was revised in 1972, 1992 and 1994. Under the Constitution, the Governor, who is appointed for four years by the British monarch, is responsible for external affairs, defence, internal security and public service. The Governor is the Chairman of the Executive Council, which comprises three members appointed by the Governor, namely the Chief Secretary (until 1992, the Administrative Secretary), the Financial Secretary and the Attorney-General, and five members elected by the Legislative Assembly. It is responsible for the administration of government. The Governor assigns ministerial portfolios to the elected members of the Executive Council. The Legislative Assembly comprises three official members designated in the Constitution and 15 members elected by universal adult suffrage for a period of four years. Since 1991, a Speaker is elected to preside over the Assembly.

4. The Governor of the Cayman Islands, Bruce Dinwiddy, was appointed in May 2002.

5. The judicial system is based on British common law, certain British statutes and local statute law. There is the Grand Court (with Supreme Court status) and the Summary Court, which includes criminal, civil, family, youth and coroner's court. Appeals lie with the Court of Appeal of the Cayman Islands and beyond that with the Privy Council in London.

6. In March 1999, the Government of the United Kingdom issued a White Paper entitled "Partnership for Progress and Prosperity: Britain and the Overseas Territories". The legislation proposed the extension of British citizenship to the citizens of the Territories; at the same time, it required the Territories to conduct a constitutional review and to amend their local legislation, in particular on human rights and on the regulation of financial services to meet international standards. The bill became the British Overseas Territories Act 2002 in May 2002.

III. Political developments

A. General

7. Until recently, there were no formal political parties in the Territory and the following loose groupings acted as political organizations: National Team, Democratic Alliance and Team Cayman. The general elections held on 8 November 2000, with a record number of 57 candidates running independently, ended the eight-year rule of the National Team, which lost six of its nine seats in the Legislative Assembly. The newly elected Assembly appointed Kurt Tibbetts of the Democratic Alliance as Leader of Government Business.

8. On 5 November 2001, a majority of the Legislative Assembly members formed a political party, the United Democratic Party. Three days later, the Legislative Council voted nine to five (with one abstention) in favour of a no-confidence motion against Mr. Tibbetts, thus dismissing him as a leader of the Executive Council. The post of the Leader of Government Business went to the former Minister of Tourism, McKeeva Bush, of the United Democratic Party. Those developments were followed by some political pressure for early elections, in particular by a group called "Concerned Caymanians". However, the new leader of the Government declared that there would be no new elections before those due in November 2004.[3]

9. According to information provided by the administering Power, the Strategic Policy Statement for the financial year 2003-2004 indicates the Government's goal of promoting economic growth, improving the standard of education and increasing government efficiency. The priorities are formulated along the following objectives:

(1) A strong economy that generates employment, income and a high standard of living;

(2) A healthy resident population;

(3) A socially protected resident population;

(4) A strong Caymanian community and culture;

(5) An environment protected for the use of current and future generations;

(6) A well-educated and vocationally trained resident population;

(7) A safe and secure country for residents and visitors;

(8) Open, efficient and accountable Government;

(9) Young persons positively involved in the community;

(10) Strong family units;

(11) Economically and socially vibrant sister islands.

B. Constitutional review

10. As reported in the previous working paper (A/AC.109/2002/7, paras. 11-14), in 2001 a Constitutional Review Commission was appointed by the Governor. The Commission organized a series of public meetings in order to hear what, if any, changes Caymanians wanted to be included in the new Constitution.

11. According to the information provided by the administering Power, in May 2002, the Report of the Constitutional Modernization Review Commissioners 2002 was submitted to the Governor together with a draft constitution. It is a public document and subject to debate in the Legislative Assembly before being submitted to the British authorities. A draft law seeks to bring into effect any new or amended Constitution as soon as possible prior to the 2004 general election.

12. The report states that the Constitutional Review Commission is satisfied that as a result of public meetings, media coverage, various awareness campaigns and surveys, the entire population of the Territory is aware of the Constitutional Modernization Review Process and has been able to express its views. At the same time, the estimated number of registered voters who attended the meetings or answered the questionnaire was low. The Commission considers the "disappointing" number of electors as symptomatic of the reluctance of most Caymanians to make their views publicly known.

13. As reflected in the report, the majority of the registered electors wish to continue their status as British Overseas Territories citizens. However, many want the Constitution to include a definition of Caymanian citizenship. According to the overall consensus, the new Constitution should provide for a Government that is more responsible and accountable to the people of the Cayman Islands. With respect to the options of independence and full internal self-government, the majority supports retention of the Westminster model with one legislature and with increased local autonomy. While there were no specific recommendations to change the powers of the Governor, the report called for inclusion of an independent advisory committee in relation to the exercise of those powers.

14. With regard to the inclusion of a bill of rights as an integral part of the Constitution, the report found that that need was generally accepted by the population. Concerns, however, were expressed on the section dealing with freedom of religion, as the majority of the Caymanians considered it to be contrary to Christian beliefs and practices predominant in the Territory. Consequently, changes have been made in the draft to harmonize local practices and international obligations.

15. The issue that provoked the most debate was the composition of the Executive Council and the idea of introducing a full ministerial system of government. The Commission recommends that the Executive Council consist of the Attorney General, who may be either an elected or an ex officio member, the Chief Minister and not more than six elected ministers.

16. With regard to the Legislative Assembly, the report recommends that the size of the legislature should remain unchanged. The Commission recommends that the Territory be divided into 17 single-member electoral constituencies with each constituency returning one candidate having one vote to the Legislative Assembly. The Commission also recommends that the qualifications for election to the Legislative Assembly be confined to Caymanians, as so defined, in addition to the usual qualifications for domicile and residence.

17. Consistent with the intention to have a full ministerial system of government and the appointment of a Chief Minister, the Commission also proposes the appointment of a leader of the opposition. The Commission further recommends the replacement of the Financial Secretary in the Executive Council by an elected

minister of finance and the establishment of a finance committee, chaired by the minister of finance, assuming the responsibility for the portfolio of finance.

18. With regard to the judiciary, concern has been expressed about the need to protect the independence of the judiciary by separating it from the executive power. To achieve that goal, the Commission proposes to introduce a judicial service commission, which will recommend the appointment of officers of the Grand Court.

19. The report emphasizes the importance of fostering good relations between the political arm of government and the civil service. It emphasizes the need for a strong and independent Public Service Commission with more than advisory functions.

IV. Economic conditions

A. General

20. The Cayman Islands has one of the highest standards of living in the Caribbean. The economy is based on tourism and on the Islands' status since 1966 as an international offshore finance centre. The principal sources of government revenue are import duties, company, bank and trust licence fees and stamp duties. There is no income tax, company tax or excise duty. Although imports outstrip exports by about 100 to 1, the visible trade gap is more than offset by invisible earnings from the tourism and financial services sectors.

21. After a slowdown in 2001, economic activity improved in the Cayman Islands in 2002, with consumer spending driving industrial production and international trade. The three major indicators of the domestic economy, gross domestic product (GDP), unemployment and inflation, confirm a gradual improvement of the economy. Preliminary results from the National Income Survey show a projected growth rate of 1.7 per cent for 2002, compared to the estimated 0.6 per cent growth rate for 2001. According to the Labour Force Survey, unemployment dropped from 7.5 per cent in October 2001 to 5.7 per cent in October 2002. The inflation rate increased slightly in the first three quarters of 2002, but remains at a modest 2.9 per cent.

22. Based on the anticipated economic recovery of the United States, growth in the Cayman Islands is expected to increase from an estimated 1.7 per cent in 2002 to 2.3 per cent in 2003. Inflation is forecast at a modest 2.5 per cent in 2003 and unemployment is expected to decline slightly from 5.7 percent in 2002 to 5.5 percent in 2003.

23. According to the information provided by the administering Power, the Leader of Government Business and Minister for Tourism, Environment, Development and Commerce presented in November 2002 a comprehensive plan entitled "The Cayman Islands: a Centre of Excellence for the Twenty-first Century". The plan covers the period 2003-2005 and is described as "very much a refocusing and revitalization effort" by the Government "to produce value in a new operating environment". It covers the creation of international opportunities for the Territory, the maintenance of a responsive institutional and legislative framework, the areas of tourism, e-business, marketing and incentives and the maximization of participation and building capacity.

24. The plan underlines the importance of careful consideration in the coming 15 months of Tax Information Exchange Agreements with a number of countries members of the Organisation of Economic Cooperation and Development (OECD) in order to promote Cayman Islands financial services.

25. To promote a regulatory framework for the financial industry, the Government has approved the establishment by the end of 2003 of a securities commission, which will assume regulatory responsibility for the Mutual Funds Law, the Securities Investment Business Law and the Stock Exchange Company Law (see also section IV.F on financial services). The Government will also focus on the General Registry to ensure the necessary level of investment in human and computer resources.

26. In regard to the development of new legislation, the Government plans to focus on new corporate products, new concessions under the landholdings Share Transfer Law, enhancements to the shipping registry legislation and general enhancements to the Companies Law. It plans also to undertake a comprehensive review of existing policies and procedures affecting the financial services sector.

27. In order to enhance product delivery mechanisms and access to business intelligence and business development ideas from the international market, the Government will refocus its efforts on maintaining a strong partnership with the private sector. It will also establish a high-level policy advisory board with international expertise and experience.

28. As part of the "Red Carpet Reform", the Government plans to develop a new immigration law, policy and procedures for implementation in 2003. In order to attract high net-worth individuals to invest and become residents in the Cayman Islands, a fast track work permit procedure for essential skilled professionals is to be introduced. Fair and transparent provisions for the acquisition of permanent residency are to be established.

29. The Government is also committed to the improvement of services for local and foreign investors and other key business personnel, assisting them in identifying and satisfying the relevant requirements for doing business in the Cayman Islands. For those purposes, the CayPass card was introduced in October 2002. The CayPass entitles business visitors in financial services to dedicated immigration and customs lines, a 15 per cent discount on Cayman Airways tickets and other privileges. The card also serves as proof upon entry into the Cayman Islands that the holder does not require a temporary work permit when travelling to the Cayman Islands for business meetings.[4]

B. Budget

30. In his budget address of 2002, provided by the administering Power, the Financial Secretary stated that the estimated out-turn for the 2002 financial year indicates an operating surplus of around (all amounts are in United States dollars) $40.5 million, down $5 million from the 2002 budget forecast. However, the overall surplus for 2002 is estimated to be just over $28 million, which is $17.3 million better than the budget projections, mainly as a result of better than forecast repayments of debt in 2002.

31. The financial estimates for 2003 project a cash operating surplus of $43,104,000, a deficit on balance sheet activity of $21,061,000 and an overall surplus of $22,043,000. The Government expects to collect approximately $184.3 million in revenue in the 2003 part of the financial year. The total operating expenditure is forecast to be $141,141,000 in the 2003 part of the financial year, that is, 3.8 per cent more than the equivalent period for 2002. Total budgeted balance sheet expenditure for the 2003 part of the financial year amounts to $16,303,000. That is comprised of $1,596,000 of capital acquisitions, $7,359,000 of capital development, $7,099,000 of equity injections and a small amount of loans-made. The forecasts allow for public debt repayments of $5,453,000 and no new borrowing, resulting in an overall reduction in net public debt of the same amount. The total cash balances at 30 June 2003 are projected to be $60,553,000. In relation to Principles of Responsible Financial Management, the budget forecasts comply in most respects.

32. In order to implement the key strategic priorities (detailed in para. 9 above), the Government has planned for the following operating expenditures: $27,694,000 for a strong economy; $26.7 million for a healthy and socially protected resident population; $4,025,000 for a strong Caymanian community and culture; $1,002,000 for the protection of the environment; $21,648,000 for a well-educated and vocationally trained resident population; and $26,184,000 for a safe and secure country for residents and visitors. Additionally, the budget provides $32,545,000 of funding for the day-to-day functioning of the public sector.

33. The Government bases its budget on the following financial principles: generating operating surpluses sufficient to cover all short-term expenditures; tight control over aggregate operating expenditure; restricting capital development expenditure; reducing the overall amount of public debt; and maintaining reserves at existing levels and allocating any unforecast revenue or surplus to reserves.

C. Agriculture, livestock and fisheries

34. Agricultural activities, limited by infertile soil, low rainfall and high labour costs, have nearly doubled over the past five or six years, with 10 large farms totalling over 100 acres now in service. Agricultural products include bananas, tomatoes, lettuce, honey, mangoes, citrus fruits, various vegetables and coconuts. Livestock rearing consists of beef cattle, poultry and pigs. According to information provided by the administering Power, the value of domestic agricultural products produced in 2000 was $1.8 million, an increase of 13.4 per cent from 1999. The largest increases were in meat and livestock produce (26 per cent), juice (18 per cent) and fruit (11 per cent). According to the Strategic Policy Statement for the financial year 2003-2004, the Government is planning to promote the development of the aquaculture industry to support economic diversification.

D. Tourism

35. The tourism sector dominates the Caymanian economy, accounting for about 70 per cent of the gross domestic product and 75 per cent of foreign currency earnings.

36. As of September 2002 total tourist arrivals for the year amounted to 1,416,861. That figure represented a 23.4 per cent increase over the previous year. While cruise arrivals increased, stay-over visitors continued to show a decline. The number of cruise ship passengers visiting the Cayman Islands showed an impressive growth of 34.2 percent, as they increased from 881,436 in 2001 to 1,183,178 in 2002.

37. According to the Leader of Government Business[5] the policy objective for the tourism sector in 2003 is to enhance existing services and create innovative tourist attractions. Measures in that area will include port and island-wide landscape beautification programmes, human resources retraining and the improvement of customs and immigration services for more efficient processing of arriving passengers. The Government is also striving to increase marketing and incentives for the tourism sector and to explore the possibility of increasing a number of high-income stay-over visitors from Europe. It plans to create incentives for the development of new tourism facilities and the establishment of special areas for five-star boutique hotels.[6]

38. The Government is specifically directing its efforts towards raising the number of stay-over visitors. The 2003-2004 budget outlines several new initiatives to that end, including a $1.5 million television advertising campaign, which will be mounted on United States national cable networks.

39. Major planned capital developments related to tourism include beginning the construction of a new tourism hospitality centre, renovation of the craft market and development of the infrastructure through the construction and improvement of roads, totalling $2,695,000.

40. Throughout 2003 there will be numerous cultural and sporting festivals to celebrate the quincentennial anniversary of the founding of the Cayman Islands. Special vacation packages will also be offered during the year.[7]

E. Financial services

41. As reported in the previous working paper (A/AC.109/2002/7, paras. 32-33), the Cayman Islands remains among the top international financial centres, with 48 of the world's top 50 banks holding licences there. The banking sector employs more than a tenth of the labour force and contributes 15.5 per cent of GDP. In the first three quarters of 2002, the financial services industry again recorded healthy growth. Mutual funds continued strong growth of 21 per cent in 2002, with registrations increasing from 3,474 in September 2001 to 4,187 in September 2002. The number of insurance licences increased by 7 per cent, from 564 in September 2001 to 605 in September 2002. Another 30 companies are presently under review. The total number of stock exchange listed issues, net of maturities, reached 690, compared to 418 as of 31 December 2001. However, new company registrations and class B bank licences declined relative to 2001 figures. The number of companies registered during the first three quarters of 2002 was 5,275, a decline of 21 per cent when compared to the 6,680 new registrations for the same period in 2001. The net position is still one of growth. At 31 August 2002, there were 63,390 companies on the register, a 14 per cent increase over 31 August 2001.

42. The number of bank and trust licences fell from 536 in September 2001 to 518 in September 2002. The reductions were primarily in the class B category, which

was affected by the statutory requirement introduced in April 2001 that private banks establish physical presences to the degree appropriate to their activities or surrender their licences. Despite the fall in the number of licences, total assets in the banking and trust sector rose from US$ 706 billion in June 2001 to US$ 980 billion in June 2002.

43. As reported in previous working papers (see A/AC.109/2001/15, paras. 34-41 and A/AC.109/2002/7, paras. 34-37), the Cayman Islands had been included in a list of countries and jurisdictions whose financial practices were conducive to tax evasion and money-laundering by OECD. The Government of the Cayman Islands has made considerable efforts to improve its legislation in keeping with the Territory's status as one of the major international financial centres and its sound business reputation.

44. During the period under review, the Territory continued to perfect its regulatory mechanism. In January 2002, the Cayman Islands passed the Securities Investment Business Law 2001. The new law regulates the conduct of securities investment business in and from the Cayman Islands and brings brokers, investment advisers, investment managers and market makers under regulatory supervision by the Cayman Islands Monetary Authority (CIMA). CIMA is responsible for business regulation, prudential regulation, on-site inspections and money-laundering regulation of such licensees.

45. The Cayman Islands worked further to fulfil international commitments undertaken in response to the recommendations of the Financial Action Task Force of the Group of Seven industrialized countries and OECD. Those initiatives aimed to counter perceived unfair international tax practices and to strengthen financial centres against criminal abuse.[8]

46. In 2001, the Cayman Islands became the first jurisdiction to conclude a Tax Information Exchange Treaty with the United States. Signed by Great Britain on behalf of the Cayman Islands, the non-retroactive agreement comes into effect in 2004. The treaty limits information exchange to federal taxes involving "significant or substantial amounts". Provision is made for the exchange of information, upon request, on a case-by-case basis, on condition that there is systematic evidence of tax evasion and of a magnitude that meets the standards of the treaty.[9]

47. Nevertheless, OECD continued to exercise pressure on the jurisdictions from its original list. In April 2002 it unveiled a model agreement for effective information exchange, which would target taxes on income or profit, capital, net wealth and estates, inheritances and gifts. At the same time, the targeted jurisdictions entered jointly into negotiations with OECD in order to protect their sovereignty and the privacy of their clients. From 26 October to 1 November 2002, the Government of the Cayman Islands hosted a meeting of OECD members with representatives of the targeted jurisdictions.[10]

48. Another subject related to so-called tax havens, namely the issue of cross-border taxation of savings accounts, including in offshore financial centres, has been discussed within the framework of the European Union since 1998. Following the request of the Government of the United Kingdom, in October 2002, that the Caribbean Overseas Territories provide details of all savings account holders registered in the Territories by 15 November, the Ministers of the Territories, including the Cayman Islands, held an emergency meeting in the Cayman Islands.

Although the Territories reaffirmed their willingness to cooperate, they stressed the need for a fair, transparent and non-discriminatory approach to the problem.[11]

49. In the aftermath of the 11 September terrorist attacks, the Government of the Cayman Islands expressed its willingness to assist the investigation of the terrorists' financial resources and to freeze terrorist-related accounts. In February 2002, the Government announced its readiness to cooperate with the United States Government in the investigation of the bankruptcy of the Enron Corporation. According to reports, out of more than 800 offshore subsidiaries used by Enron, as many as 692 were in the Cayman Islands.[12] In July 2002 the state of California created a blacklist of 23 firms that claim headquarters in such places as Bermuda and the Cayman Islands while remaining based in the United States.[13]

50. The campaign against tax evasion in the United States continued to have bearing on the Cayman Islands during the reporting period. According to a press report[14] in July 2002, Harken Energy Corporation set up a subsidiary in the Cayman Islands, while the current United States President was on its board of directors. The President said he had opposed the move; at the same time, the White House communications director said the President was unaware of it.[15] As part of its official response to a wave of corporate scandals, the White House has railed against the corporate practice of setting up offshore subsidiaries in tax havens like the Cayman Islands and Bermuda to reduce United States tax bills.[16] In August 2002 the United States Senate voted to bar from federal defence contracting United States companies that set up shell operations overseas. In November 2002 the United States Department of the Treasury released proposals to cut the incentives in the United States Tax Code that encourage businesses to move their headquarters overseas.

F. Transport and communications

51. The Territory's development as an international business centre is dependent on modern and reliable telecommunications and utility services. Currently, the multinational company, Cable and Wireless, holds an exclusive licence for the provision of telecommunication through its local Cable and Wireless (Cayman Islands). The Government is in the final stages of negotiations with Cable and Wireless over liberalization of the telecommunications sector. When completed, liberalization is expected to have a significant positive impact on all business sectors. Reductions in telecommunication costs are expected in all major areas, including Internet businesses, to improve their international competitiveness. Liberalization would also allow businesses to access cutting-edge technology, opening up new business opportunities in a variety of telecommunication-related areas and in e-commerce.

52. In the Strategic Policy Statement for the financial year 2003-2004 the Government has declared its plan to increase the use of e-business by 5 per cent per year and decrease telecommunication costs by 20 per cent with the aim of attracting and developing blue-chip e-businesses.

53. The Government is striving to create new jobs in the e-business sector by attracting 5 per cent of the offshore e-business market to domicile and grow in the Cayman Islands. Another planned measure is to create an e-business infrastructure that encourages entrepreneurship of Caymanians in the area of e-business through

the development of e-education initiatives and the support of the investment bureau. The Government also set the goal to create a local e-business services sector that gives traditional Cayman-based businesses a competitive advantage.[17]

54. International air services are provided between Grand Cayman and the United States, Canada, Europe, Jamaica, Honduras and Cuba. Major United States and British airlines operate regularly to and from the Cayman Islands. Domestic airline services and charters operate between the sister islands of the Cayman Islands.

55. In November 2002, as part of an overall cutback in flights, US Airways cut 25 daily departures to the Cayman Islands from Philadelphia and added 15 flights on other routes. One European flight to London, Gatwick Airport, was cut, leaving one flight there daily. Cayman Airways launched a new Grand Cayman-Montego Bay route in October and introduced two weekly flights to Havana in December 2002. Cayman Airways also negotiated a contract with Cincinnati's Sunshine Tours to provide weekly charter service between Cincinnati, Ohio, and Grand Cayman, which began operating in December 2002. Continental Airlines will begin service, four flights a week between Houston, Texas, and Grand Cayman, in May 2003.

56. The port of George Town is the main gateway for the almost 1 million cruise ship tourists who visit the islands annually. The Cayman Islands are served by scheduled passenger liners and a number of locally owned or registered vessels provide cargo services between Miami and Tampa, Florida, and Jamaica. Following the election in November 2000, the Tourism, Environment and Transportation Minister asked the Port Authority to review the George Town port development project.

57. According to the Governor, the Shipping Registry was scheduled to become a statutory authority. During 2002, it was proposed to submit some 40 new regulations under the Merchant Shipping Law and Merchant Shipping Marine Pollution Law to give local effect to the range of developments in international shipping conventions that apply in the Cayman Islands.

V. Social conditions

A. General

58. As reported in the previous working paper (A/AC.109/2002/7, paras. 46-48), the aim and effect of legislation and action by the Government in the social sphere is to create a society in which individual effort is rewarded, while a cushion is provided, often with voluntary help, for the less fortunate.

59. According to the information provided by the administering Power, in 2003-2004 the Government of the Territory will continue to strengthen the social support of the inhabitants. The legislative measures related to those areas include revisions to the Children's Law, Maintenance Law and Adoption Law. Key social services funded by the 2003/4 budget include the Cadet Corp training programme, the Youth Rehabilitation programme, pro-social activities and role modelling for youth and services to families, support for battered women and children, and care of indigent, elderly and disabled persons.

60. In July 2002 the Caribbean States members of the Organization of American States agreed to pool the training of social workers, especially those dealing with drug abuse. The regional strategy adopted by the delegates would support drug abuse and mental health programmes by providing trained social workers to Caribbean nations, including the Cayman Islands.[18]

B. Human rights

61. As reported in the previous working paper (A/AC.109/2002/7, para. 49), the Territory is subject to several major human rights conventions to which the administering Power has acceded.

62. The question of including a bill of rights incorporating all basic human rights in the Constitution of the Cayman Islands was discussed in the framework of the review of the Territory's Constitution. Caymanian laws already guarantee many human rights. At the same time, the Cayman Islands remains the only one of the United Kingdom's overseas territories without a bill of rights, although it is required to have such a bill under various conventions and agreements to which the United Kingdom is a party.[19]

63. According to the administering Power, during the meeting of the Overseas Territories Consultative Council in September 2002, the representative of the Cayman Islands said that "the United Kingdom has gone too far in imposing its international obligations on the Overseas Territories". In his opinion, the British Government "should respect local Caribbean culture and values. Cayman, however, would agree to the inclusion of a human rights chapter in its Constitution."

C. Housing and construction

64. After a continuous decline, the construction industry showed marked improvements in 2002, with the recovery being led by a number of large, prestigious projects in the hotel, apartment and commercial segments of the market. Total planning approvals increased by 4[illegible] per cent, from $120.1 million in the first nine months of 2001 to $173.8 millio[illegible] over the same period in 2002. The boom in the construction industry has boosted employment opportunities for both skilled and unskilled workers. The April 2002 Labour Force Survey showed a 27.6 per cent increase in construction employment compared to September 2001.

65. The performance of the real estate industry in 2002 was significantly better than in 2001. First and second quarter results showed a slight recovery, while the latest figures at the end of September reflected a marked improvement. Overall, the number of transfers fell from 1,591 in September 2001 to 1,523 in September 2002. But the value of real estate transfers increased by 21 percent, from $144.6 million to $175 million.

D. Labour

66. According to information provided by the administering Power, the employed labour force in 2000 was 25,459, with Caymanians comprising about 42 per cent. At year-end 1999 there were some 14,000 work permit holders. The workforce includes

nationals of 78 countries, with the greatest portion coming from Jamaica, the United States, Canada and the United Kingdom.

67. According to the Labour Force Survey, unemployment dropped from 7.5 per cent in October 2001 to 5.7 per cent in October 2002.

E. Education

68. Education is compulsory for all resident children between 4 years, 9 months and 16 years of age. The Government is directly responsible for education within that age group. Two public institutions and one private school provide tertiary education. The Community College of the Cayman Islands is Government-owned but independently administered. The Cayman Islands Law School is also Government-owned, while the College of the Cayman Islands is private.

69. The Government currently operates six primary schools, one middle school, two high schools and one alternative education centre on Grand Cayman, as well as three primary schools and one high school, which incorporates the middle-school level, on Cayman Brac. Tuition is free for Caymanians at those schools, but an annual book rental fee of C$ 100-150 per student is charged. In addition, 10 private schools provide primary and/or secondary education. All private schools are monitored by the Education Department and receive grants from the Government.

70. The improvement of the standard of education is one of the Government's key policy initiatives in 2003-2004. Key policy actions that are provided for in the 2003 budget include scholarships and bursaries to support local and international tertiary study, site preparation work for a new primary school at Spotts and planning and design work for a new secondary school in Grand Cayman. According to the Strategic Policy Statement for the financial year 2003-2004, the Government plans to implement measures to insure that 95 per cent of school leavers meet expected educational standards, that 90 per cent of all adults have basic language and numerical skills and that the number of adults undertaking vocational training increases.

F. Public health

71. The Health Services Department is responsible for the provision of all government health care, including public health services. In addition to general medical care, a wide range of specialist services is available locally. The Government has a contractual arrangement with the Baptist Hospital in Miami for tertiary care services. According to the administering Power, contraceptive services are provided free of charge, in addition to free antenatal service, which is already being provided for all residents irrespective of nationality. The Health Practitioners Board has responsibility for the registration of private practitioners. In July 2002, the Health Services Department became a statutory authority. There is a 124-bed hospital in George Town. The facility includes a state-of-the-art, fully staffed accident and emergency room. There is also an 18-bed hospital on Cayman Brac and several district health centres and clinics. In 2000, there were 84 registered doctors and 14 dentists in the Cayman Islands.

72. As a result of the Government's health sector reform a number of new regulatory measures are being taken, including the licensing and inspecting of all health facilities, the registration and regulation of health practitioners, the appointment of a Chief Medical Officer of Health to oversee that regulatory activity and the appointment of a Third Party Administrator to negotiate with overseas health-care providers, process claims and collect health-care statistics. The 2003/4 budget includes a range of legislative measures aimed at improving the health status of residents. Revisions to the Tobacco Products and Intoxicating Liquor Advertising Law are planned to tighten the requirements. Provisions have been made for a new pesticides law to establish a regulatory scheme to control the import and use of pesticides. Revisions to the Mental Health Law are planned to update it according to current international practice. The measures also include new regulations to improve arrangements relating to environmental health services, food hygiene and safety and drinking water quality.

73. Health-related services during the first half of 2003 funded by the budget include the provision of primary and secondary health care, global tertiary emergency medical care, the medical service for Cayman Brac and Little Cayman, drug abuse and substance prevention programmes and environmental health issues, including food hygiene inspections, the collection and disposal of wastes and mosquito control services.

74. Major planned capital expenditures include equity injections of $2,178,000 for the Health Services Authority to finance the purchase of a new computer system and capital works at Faith Hospital and Little Cayman Health Clinic. In addition, the Government plans to provide ownership support to the Health Services Authority of $2.3 million by way of further equity investment.

G. Crime and public safety

75. The Royal Cayman Islands Police Force comprises 295 officers and 40 support staff. It has a shortfall of Caymanian recruits and has officers seconded by the United Kingdom. Officers recruited are from Jamaica, Belize, Barbados, Canada, Nicaragua, Trinidad, Honduras, the Bahamas, Nigeria and the United States.

76. The Strategic Policy Statement for the financial year 2003-2004 outlines the following specific goals to ensure the safety and security of the Cayman Islands: ensure an efficient and fair legal and judicial system; reduce the levels of petty and serious crime; reduce the rate of reoffending by convicted offenders; ensure secure and humane custody of offenders with custodial sentences; and maintain appropriate border security and protection.

77. The key capital development project in 2003-2004 related to safety and security involves initial work on the Wilderness Institute Facility, which will be an alternative to prison for some youth who would otherwise be sentenced to Northward Prison.

78. In his parting speech in May 2002 the former Governor emphasized the importance of the Cayman Islands drug court, which represents a shift from traditional punishment for drug abusers to a restorative approach. It is a voluntary programme where the drug abuser admits his/her guilt, thus increasing the chance of success in rehabilitation.[20]

VI. Environment and natural resources

79. The Cayman Islands have 25 endemic species of plants and reptiles. On Grand Cayman, a botanical park and bird sanctuary provide safe environments for endangered species of birds and lizards. Little Cayman is host to a wide variety of flora, fauna and birdlife. It also has its own bird sanctuary. Over 200 species of birds have been identified on the islands. Over the years, the Government of the Cayman Islands has employed a variety of conservation strategies, including the establishment of a system of marine parks and protected areas on land and the development of public education and integrated species conservation.

80. According to the Strategic Policy Statement for the financial year 2003-2004, specific goals related to the environment include the protection of mangroves and other wetlands, of coral reefs and other marine life and of the quality of the air, groundwater and other natural resources.

81. In the summer of 2002 a study showed that the number of blue iguanas, native to Grand Cayman, had fallen so drastically that they became the top lizard on the endangered species list. It is estimated that without captive breeding efforts, the blue iguana will be functionally extinct in five years. The International Iguana Foundation is campaigning for funds to save it, estimating that it would take $150,000 to guarantee the lizard's survival.[21]

82. In November 2002 Britain asked the 160-nation Convention on International Trade in Endangered Species of Wild Fauna and Flora, meeting in Chile, to allow a limited trade of endangered green turtles from the Cayman Islands. If approved, turtle shells could be sold to tourists as souvenirs. Conservationists argue that the risk of reopening even limited trade would enhance existing illicit commerce in turtles in the rest of the Caribbean.[22] In December 2002 the Turtle Farm opened a new breeding pond as phase II of the Farm's redevelopment. After the Cayman Turtle Farm was almost completely destroyed by Hurricane Michelle in November 2001, the Government and the Farm's Board of Directors decided to plan a new venture with the creation of a marine park. The breeding pond was identified as the most urgent of all.[23]

VII. Relations with international organizations

83. As reported in the previous working paper (A/AC.109/2002/7, paras. 75-76), the Cayman Islands, which had been an observer with the Caribbean Community (CARICOM), was approved for associate member status.

VIII. Future political status of the Territory: position of the administering Power

84. On 1 October 2002, the representative of the United Kingdom made a statement before the Special Political and Decolonization Committee (Fourth Committee) (see A/C.4/57/SR.3), in which she said that her Government, as an administering Power, was pleased to report that further progress had been made towards modernization and development of the relationship between the United Kingdom and its Overseas Territories. The fourth annual meeting of the Overseas

Territories Consultative Council had been held in London in September 2002, providing a forum for structured political dialogue between democratically elected Chief Ministers and Ministers of her Government with regard to the relationship, based on partnership, between the United Kingdom and its Territories. It also enabled those present to consult on matters such as the process of constitutional review, human rights and environmental issues arising from the United Kingdom's international commitments.

85. The partnership between the United Kingdom and its Overseas Territories continued to evolve: on 26 February 2002, the British Overseas Territories Act had become law, with effect from 21 May 2002, granting citizens of the Territories British citizenship, with right of abode in the United Kingdom and freedom of movement in Europe; it formally changed the nomenclature from "dependent" to "overseas" Territories in order to reflect more accurately the nature of the relationship. Furthermore, constitutional review was under way in almost all the Territories, for the first time with the participation of locally appointed review commissions, with a view to providing each Territory with a modern constitution suitable for its long-term development which reflected its specific circumstances. Some reviews were almost complete, others were well under way and Ascension Island would have elected an island council by the end of 2002.

86. The representative of the United Kingdom added that work was under way to implement the Guiding Principles of the Environment Charter for the Overseas Territories, adopted in September 2001. Pilot projects had been approved for two Territories and would be carefully monitored for suitability elsewhere. Multilateral environmental agreements would be extended to the Territories and national legislation would be strengthened. Projects had been implemented to address key areas such as habitat restoration, surveys of living resources, tackling of invasive species and capacity-building for civil society institutions. Her Government would also assist the Territories to access regional and bilateral European Commission trade, economic and development assistance within the framework of the November 2001 Overseas Association Decision.

87. The wishes of the peoples of the Territories, exercised in accordance with the Charter of the United Nations and other international treaties, were of paramount importance for the United Kingdom. The relationship between her Government and its Territories was based on fundamental principles such as self-determination, mutual obligations, freedom for the Territories to run their affairs to the greatest degree possible and the firm commitment from her Government to help the Territories economically and during emergencies.

88. The representative of the United Kingdom said that there was a basic commonality of approach between her Government and the Special Committee and she therefore regretted that relevant resolutions, in particular those of the Special Committee on decolonization, did not always properly reflect that commonality. The annual omnibus resolution recalled that there was no alternative to the principle of self-determination and it was unfortunate that the Special Committee continued to apply that principle selectively. Her Government fully intended to continue to work with the Special Committee, as had been demonstrated by the presence of a representative of her Government at the regional seminar of the Special Committee held in Fiji in 2002.

IX. Consideration by the General Assembly

89. On 11 December 2002, the General Assembly adopted, without a vote, resolution 57/138 B, section V of which deals with the Cayman Islands.

Notes

[1] The present working paper is based on information provided by the administering Power under Article 73 *e* of the Charter of the United Nations, as well as from published sources.

[2] Cayman Islands, 2000, Annual Report and Official Handbook (provided by the administering Power).

[3] *Caribbean Insight*, 23 November 2001.

[4] Government of the Cayman Islands, Press release, 29 October 2002.

[5] The Cayman Islands: A Centre of Excellence for the Twenty-first Century, 8 November 2002.

[6] Ibid.

[7] Calendar of Events, 500 years of history, culture and beauty, www.cayman500.ky.

[8] 2001 Annual Report and Official Handbook Cayman Islands.

[9] Ibid.

[10] http://www.oecd.org/EN/document/0,,EN-document-103-3-no-12-36128-0,00.html.

[11] *Wall Street Journal*, 22 November 2002.

[12] Press release, Cayman Islands Financial Services, 8 February 2002; NewsEDGE/LAN, 3 October 2001 and 17 January 2002.

[13] Agence France-Presse, 25 July 2002.

[14] *The New York Daily News*, 31 July 2002.

[15] Ibid., 1 July 2002.

[16] Reuters, 31 July 2002.

[17] The Cayman Islands: A Centre of Excellence for the Twenty-first Century, 8 November 2002.

[18] Agence France-Presse, 7 July 2002.

[19] *The Caymanian Compass*, 28 June 2001 and 29 June 2001; *The Royal Gazette*, 29 June 2001.

[20] 2001 Annual Report and Official Handbook Cayman Islands.

[21] *Chicago Tribune*, 9 August 2002.

[22] Reuters, 8 November 2002.

[23] Cayman Islands Turtle Farm — Turtles in the news, www.turtle.ky, 19 December 2002.